

# NAMA KHOI MUNICIPALITY



**MPAC OVERSIGHT REPORT OVER ANNUAL REPORT**

**FINANCIAL YEAR 2012-2013**

**ADOPTED BY COUNCIL 15 AUGUST 2014**



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## 1. CHAIRPERSON'S REMARKS

In terms of the Constitution, Act 108, (1996) (152) (a), one of the most important objects of Local Government is to provide democratic and accountable government for local communities.

The Council of Nama Khoi hence has an obligation to give explanations of how delegated authority or responsibility was used or carried out and why?

Public administration must be governed by the democratic values and principles enshrined in the constitution including efficient, economic and effective use of resources.

For council to be accountable an account or explanation from the administration of how the municipal funds (as per the budget approved and adopted by council) were used to implement municipal policies (as per the Integrated development plan, and other policies) , must be obtained from administration.

The key types of accountability include the following:

- Political accountability ( accountability to the Communities )
- Administrative accountability ( compliance with applicable laws ,regulations standards checks and controls)
- Public Financial accountability an account of how funds were used to implement policy as approved )
- Performance accountability (Accountability of the Executive and administration through policy outcomes and results)
- The key tool for holding the executive and administration accountable is the Annual report.

The MFMA requires Council to consider the Annual report of a municipality, hold the municipal accountable and adopt an Oversight report (Section 129 MFMA)

The council of Nama Khoi Municipality established MPAC to assist with its oversight function to consider and examine the Annual report and to develop an Oversight report.

During the consideration and examination of the content of the Annual report, MPAC must make recommendations to council on their findings.

The Oversight process included a review of recommendations made in the past and to what extent the recommendations were implemented. The committee must also consider improvements on The Financial Statements , evaluate the extent to which the Audit Committee and the AG's recommendations have been implemented.

MPAC adopted an extensive programme to obtain briefings from the administration and the executive as well as the Auditor General and the Audit Committee ,gathered information on the AR 2012/13 and prepared recommendations which will be presented to council for consideration and adoption.

Considering the findings of Auditor General (Report 2012/13), and the report on the implementation of recommendations of the Audit Committee , MPAC wishes to caution the administration to take responsibility and adopt a serious strategic action plan towards a better Audit outcome for the Financial Year 2013/14 ! Compliance with Regulations and policies as well as stern internal controls will be a great step towards achievement of the Goals of the Nama Khoi Municipal Council.

Credit goes to all members of MPAC for their contribution to the task, delegated by council of considering, the 2012 Annual report and ensuring that the Oversight Report is ready for tabling.

It is with deepest regret that MPAC noted that the municipality as reported by the Auditor General received a disclaimer again. It is also important to note the reasons for the disclaimer. MPAC calls upon the Executive & Administration to do everything in their power to obtain a clean audit in the coming financial year to address every aspect which contributed to all the qualifications.

Let us try our very best to obtain an audit report with no issues raised by the Auditor especially with reference to compliance and records.

Let me take this opportunity to comment and recognise the Mayor, Honourable JF van Wyk , for political leadership and the Acting Municipal Manager, Mr Lenkoe for administration leadership and advice to council.

In concluding I would like to thank the different departments for their role played in the compilation of the Oversight report on the Annual Report 2012/13

The journey of Nama Khoi Municipality is to comply to regulations and deliver effective and sustainable service and operate in an accountable manner in every way, is not always easy, but is achievable if we coherently make our best contribution.

Come, let us work together to structure and manage the administration, budgeting and planning processes of Nama Khoi Municipality to give priority to the basic needs of our community and to promote the social and economic development of the communities we serve.

## **2. INTRODUCTION**

The annual report is a key instrument of transparent governance and accountability. It is a post-financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year, in this instance 2012/2013. The adoption of an Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA).

In accordance with the provisions of Section 79(1) (a) of the Municipal Structures Act, no 117 of 1998 a municipality may establish one or more committees necessary for the effective and an efficient performance of any of its functions or the exercise of any of its powers.

The Municipal Public Accounts Committee of Nama-Khoi Municipality was established by council through council resolution in 2012.

MPAC focus is to assist Council to hold the executive to account and ensure the effective and efficient use of municipal resources.

## **3. PURPOSE**

The purpose of this report is to present to Council for adoption, the Oversight Report on the Annual Report as required in terms of Section 129 of the MFMA.

Section 129 of the Municipal Public Finance Management Act no. 56 of 2003 requires the council of a municipality to consider the annual report of the municipality, and by no later than two months from the date on which the annual report was tabled in the council in terms of

section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council—

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

The purpose of this report is therefore to table to council, MPAC Oversight Report on the probing Nama-Khoi Municipality Annual Report 2012/2013 for council consideration and adoption.

#### **4. LEGAL & ACCOUNTABILITY FRAMEWORK**

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) relating to the Annual Report:-

Every municipality must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the Annual report of the municipality under the municipality's sole or shared control in accordance with section 129.

The purpose of an annual report is—

- To provide a record of the activities of the municipality during the financial year to which the report relates;
- To provide a report on performance against the budget of the municipality for that financial year;
- To promote accountability to the local community for the decisions made throughout the year by the municipality

The following table displays the nature of the accountability

	<b>Responsible for</b>	<b>Oversight over</b>	<b>Accountable to</b>
<b>Council</b>	<b>Approving for policy and budget</b>	<b>Mayor &amp; Executive Committee</b>	<b>Community</b>
<b>Mayor &amp; Executive Committee</b>	<b>Policy, budget, outcomes, management of/oversight over municipal manager</b>	<b>Municipal Manager ( 1Head office &amp; 10 Service Points )</b>	<b>Nine ( 9 ) Wards</b>
<b>Municipal Manager</b>	<b>Outputs and implementation</b>	<b>Administration</b>	<b>Mayor &amp; Executive Committee</b>
<b>Chief Financial Officer and Senior Manager</b>	<b>Outputs and Implementation</b>	<b>Financial management and operational</b>	<b>Municipal Manager</b>

## **5. THE APPOINTMENT OF MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OF NAMA KHOI MUNICIPALITY**

The appointment of council’s Municipal Public Account Committee in September 2012, was handled in accordance with Section 127(3) of the Municipal Finance Management Act, no 56 of 2003. MPAC comprise of non-executive councillors of the ANC & COPE chosen by the new elected council who took office on 26 March 2014.

Mr H. Apollis was appointed as Chairperson.

### **MPAC Nama-Khoi Municipality compose of the following councillors:**

MEMBER	POLITICAL PARTY
1. Clr. H. Apollis ( Chairperson )	ANC
2. Clr. K. Ventura	COPE
3. Clr. George Cloete	ANC

## **6. THE FUNCTION OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

- To assist Council to hold the executive and administration to account, and to ensure the effective and efficient use of municipal resources.
- MPAC in executing its roles on oversight function it does not duplicate other committees of Council.
- It report directly to council through the Speaker of the municipality and interface with the other committees of council through the Speaker, where relevant.



- It is entitled to request for documents or evidence from the Accounting Officer of a municipality and can request support of both the internal and external auditors (advisory) where necessary.
- To consider and consider and examine the content of the Annual Report and to make recommendations to Council when adopting the Oversight Report on the Annual Report.

## **7. TABLING OF ANNUAL REPORT 2012/13**

- The Annual Report was tabled at a special Council Meeting on **3 July 2014**, the same report was further referred to MPAC for consideration and recommendation.
- An official notice advising where the Annual Report could be viewed and inviting for representation was advertised in the local newspaper, Namakwalander on 18 July and the Die Plattelander, 18 July. Further the notice was displayed in the Nama-Khoi Municipality building and at municipal services points as well as on the website.
- Copies of the report were forwarded to the following stakeholders as required by the MFMA:
  1. Provincial Treasury (No comments received)
  2. National Treasury (No comments received)
  3. Provincial COGTA (No comments received)
  4. Auditor General (No comments received)

## **8. MPAC OVERSIGHT PROCESSES ON THE 2012/13 ANNUAL REPORT**

In order to carry out its oversight function, MPAC developed an Oversight Process Plan (Calendar) as outlined hereunder.

### **MPAC OVERSIGHT PROCESS PLAN ON NAMA KHOI MUNICIPALITY ANNUAL REPORT 2012/2013**

<b><u>Date &amp; Time</u></b>	<b><u>Interviewee</u></b>	<b><u>Briefing &amp; Questions</u></b>	<b><u>Documentation</u></b>
Friday, 18 July 2014 10h:00	<b>MPAC- Discussion of Process for Compilation of Oversight Report:</b>	Chairperson briefs the Committee on the purpose of the meeting and the goal of the programme as	Annual Report  MFMA Circular 32 Oversight



<p><b>Thursday 24 July 2014 10h00</b></p>	<p>Chief Financial Officer ( Acting) Mr W Bowers</p>	<p><i>general may consider necessary</i> Responding on questions and queries and statements from the Auditor General on Financial Year 2012/13 as well as recommendations from the Audit Committee and the Questions from MPAC</p>	<p>List of Questions from MPAC</p>
<p><b>Thursday 24 July 2014 14h30</b></p>	<p>Municipal Manager ( Acting)</p>	<p>Briefing by the Municipal Manager on Progress made by the Administration To implement recommendations by AG and briefing on strategic planning for better service delivery and financial stability in Nama Khoi</p>	<p>Author General Report 2012/13 Response by Administration to the Auditor General queries ( Financial Year 2012/13</p>
<p><b>Friday 25 July 2014 10h00</b></p>	<p><u>Mayor</u> Honourable Boeboe Van Wyk</p>	<p>Briefing by Mayor on progress reports on the implementation of Council resolutions and Auditor General recommendations</p>	
<p><b>Friday 25 July 2014 11h00</b></p>	<p>Preparing ,deliberating and adopting the report – Draft Oversight is compile</p>	<p>Consensus needed by the MPAC  MPAC chairperson will sign off the Final Report for Tabling (through Speaker) in Council for discussion and adoption.</p>	<p>Final Draft of Oversight</p>

**The program was amended and revised due to the fact that MPAC required additional information from the different departments and people who were scheduled for interviews were not always available on the specific dates as specified in the program. Please refer to the minutes of the different meetings.**

The MPAC held a training session on the 18<sup>th</sup> of July 2014 on the probing of the Annual Report to ascertain the format, contents and the required documents as well as the format and content of the Oversight Report over the Annual Report.

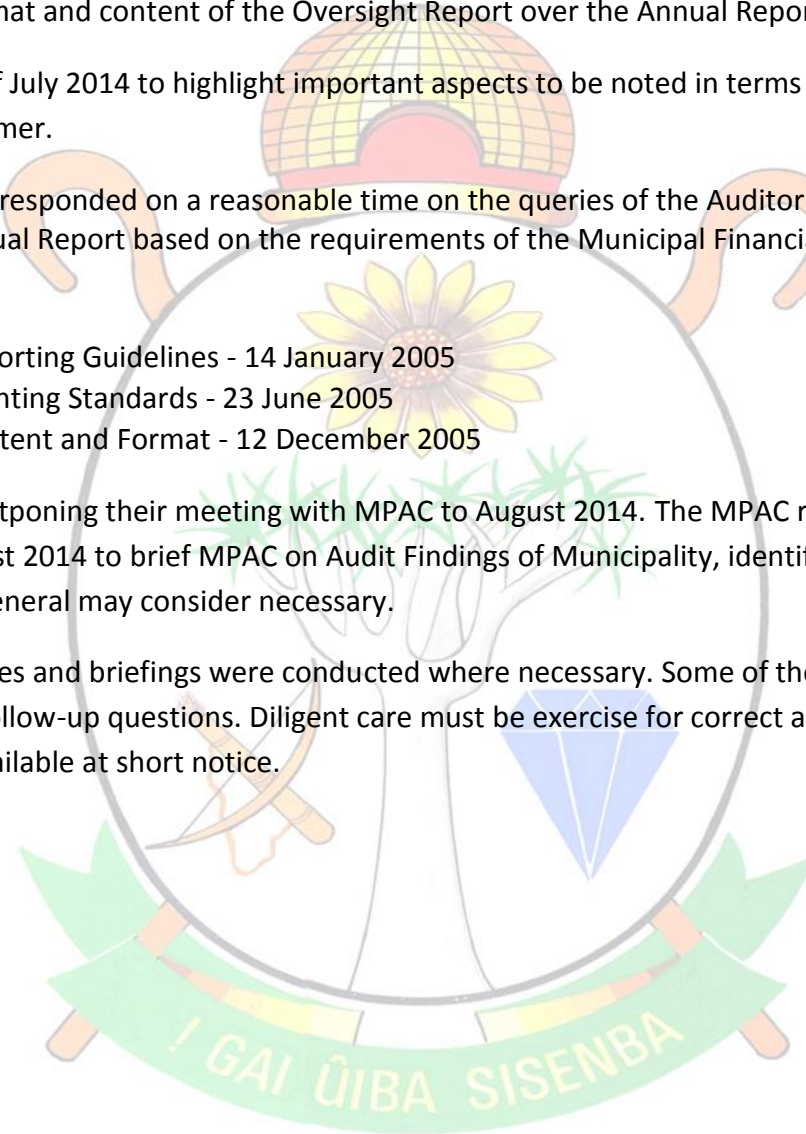
The MPAC had a meeting on the 21<sup>st</sup> of July 2014 to highlight important aspects to be noted in terms of viability, compliance and good governance and reasons for the disclaimer.

MPAC developed questionnaires to be responded on a reasonable time on the queries of the Auditor – General on his report of Financial Year 2012/13 and on the quality of the Annual Report based on the requirements of the Municipal Financial Management Act (MFMA) and the following

- MFMA Circular 11 - Annual Reporting Guidelines - 14 January 2005
- MFMA Circular 18 - New Accounting Standards - 23 June 2005
- MFMA Circular 28 - Budget Content and Format - 12 December 2005

The Auditor-General responded by postponing their meeting with MPAC to August 2014. The MPAC resolve that the Auditor – General be given the opportunity to meet in August 2014 to brief MPAC on Audit Findings of Municipality, identified problems, recommendations and any other information that the Auditor - General may consider necessary.

Follow-up question on written responses and briefings were conducted where necessary. Some of the departments did not respond to requests for further information and follow-up questions. Diligent care must be exercise for correct and reliable recordkeeping to ensure that the correct, required information is available at short notice.



### 9. SUMMARY OF REPRESENTATIONS RECEIVED FROM THE COMMUNITY AND OTHER STAKEHOLDERS

<u>REPRESENTATION SUBMITTED BY :</u>	<u>KEY ISSUED RAISED</u>
- Individual Councillors	None
- Auditor General	Presentation made by Orlando Fredericks, from the AG's office, on 3 July 2014. See presentation.
- Public comments	None
- SAMWU	None
- IMATU	None
- Audit Committee	See Comments

The MPAC Committee has noted with concern that there is a lack of representations in respect of the Annual Report from various stakeholders and from the community at large. It is there for recommended that when the municipality publicised and distribute the Annual Report to municipal service points there should be a public notice displayed and a register to record individuals and stakeholders who viewed the report.

It is of paramount importance that the Annual Report should be in narrative form and be available in the language used by most of the consumers to simplify the reading and understanding thereof.

## **10. OBSERVATIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT OF FINANCIAL YEAR 2012/13**

### **OBSERVATIONS**

Referring to the National Treasury Template and Circular 63 some of the components of the report was not addressed.

- The Mayor's foreword was not signed
- The foreword of the Municipal Manager did not contain the requested information
- No information on outstanding taxes other services were included
- Spelling errors , no page references on content pages , no numbering on certain pages , no headings on certain pages occurred
- Important information with relevance to financial sustainability and liquidity ratio was excluded, and information on the community and social services were not addressed in the Annual report.
- The Annual does not reflect the overall activities, the budget of the municipality and the goals No proper quality check was process was performed on the Annual Report
- Unfinished financial statements were presented to the Audit Committee , reason being different drafts were provided and certain items were not explained in the notes to the statements which is not as per the requirements of Section 123-125 of the MFMA
- The Accounting Officer must ensure that the information on the organogram is as per the resolution of Council
- The committee noted with concern that the municipality has fail for 6 consecutive years to improve to a better Audit opinion
- The committee noted some of the audit findings for the year under review are recurring from the previous financial years and has not been properly addressed by Audit action plans, in so far that no adequate remedy for the Audit findings could be reached
- The debt collection policy is not adequately applied and it result to the municipality's debt increasing at an alarming rate
- The pace in recovering the debt amounting to is very slow
- The response on requested information is hampered by the inadequate record keeping of information. The financial system is not utilized to its maximum capacity to ensure fluent, effective and exact record keeping and availability of correct information
- The information on the capturing and reporting on grants must be per specified format and reconciliations must be done on a monthly basis.

## **RECOMMENDATIONS**

1. **Debt Collection**: The debt collection policy must be amended to describe the exact process to be followed when dealing with the different types of late payments in order to be used as a manual by all relevant staff members who are dealing with late payments.
2. **Training**: The terms of reference for appointment of consultants must include training of the staff of the municipality in order to transfer skills and minimise future expenditure on consultation.
3. **Reconciliation**: Recording and reconciliation of all the financial aspects must be done monthly (bank statements, VAT , monthly income and expenditure). Sufficient control measures must be developed by the Chief Financial Officer to monitor monthly reconciliations. ( i.e signing off )
4. **Discipline in Budget & Treasury department**: Regular monthly monitoring and reporting is of vital importance in order to strengthen accountability. The Accounting Officer must take responsibility for a schedule indicating what reports is due every month and the monitoring thereof. Feedback from the Accounting Officer on the reporting must form part of the schedule. These reports must be of such a nature so that information can be added in order to compile quarterly, mid – year and annual reports.
5. **Automation of payments**: Consultation with the banks must take place to establish the compatibility of the system used by the bank and PRONUM used by the municipality. This could be a possibility to minimise the human error during numerous transfers taking place at the same time.
6. **Delegation of powers**: All delegated powers must be defined and adopted by the Council to hold people accountable and to practise disciplinary actions.
7. **Well defined budgeting**: The budget of every department including the capital budget must be compiled as per the prescribed format stipulated in Circular 63 to assist in synchronizing the total budget as requested by the MFMA.

8. **Financial misconduct and Over- expenditure:** The Accounting officer must exercise strict budget control per month to detect possible over- expenditure at an early stage to avoid or limit over- expenditure. Departments must exercise monthly budget control over their votes and have discussions with the CFO to plan avoidance of over- expenditure. Unauthorised, fruitless and wasteful expenditure incurred by the municipality must be investigated in accordance with the requirements of Section 32(2) of the MFMA Act by a committee as appointed by the Council.
9. **Skills Audit:** A skills audit must be done from time to time to determine whether skills in the different positions are up to the required standard to contribute to maximum efficiency and effectiveness of service delivery. This will also established which training is required for improvement of skills.
10. **Re-establishing of the disciplinary code:** The disciplinary code must be re-established through monthly information sessions by all the departments to motivate employees to exercise the code and to enlighten them on the disciplinary consequences if not obeyed.
11. **Implementation of policies and compliance with National Legislation / Regulations:** MPAC suggests an indoor training programme by departments on the policies and the regulations required by the National Legislation/ regulations. This will ensure that the departments will be continuously reminded of applicable regulations for their activities.
12. **Training in PRONUM:** The Municipality must ensure that training is conducted on the PRONUM system by all departments who must make use of the system to ensure that proper data capturing is in place in order for information to be processed to be available on short notice and to be reliable
13. **Standardising of documents:** ICT departments must assist all departments to develop standard documents for reporting and other official correspondence



## 11. RECOMMENDED RESOLUTIONS TO BE ADOPTED BY COUNCIL

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council

1. That the Council having fully considered the Nama Khoi Municipality's Annual Report for the financial year 2012/13 and representations thereon, adopts the oversight report and approves the annual report with reservations as included in the comments of the Oversight Report.
2. That Council take cognisance of the MPAC questionnaires probing the Annual Report 2012/13 with the Accounting Officer's responses as provided for in Annexure of this Oversight Report
3. That the Oversight Report 2012/13 be made public in accordance with Section 129(3) of the MFMA 56 of 2003 , read with Section 21(A) of the Municipal Systems Act no. 32 of 2000
4. That the Oversight Report of Nama Khoi Municipality on the Annual Report 2012/13 and the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the MFMA within 7 days after the adoption by the Municipal Council

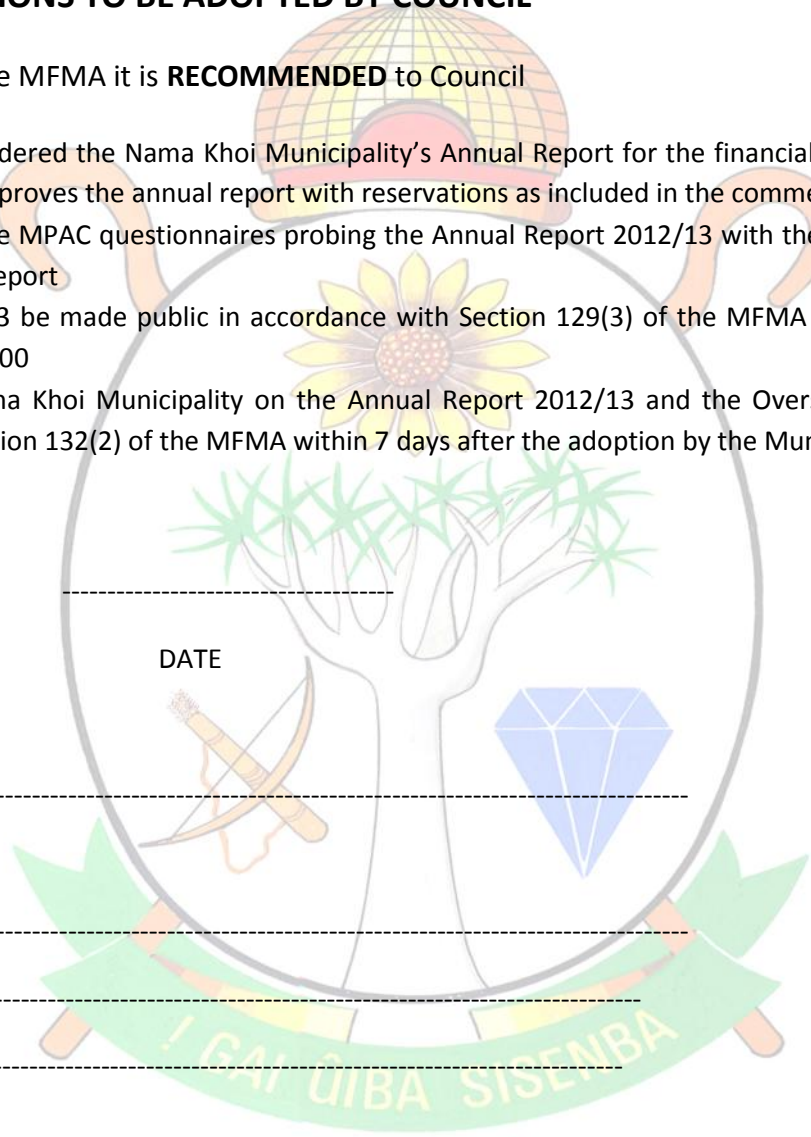
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CLR. H APPOLIS

MPAC CHAIRPERSON

COUNCIL RESOLUTION -----

DATE OF COUNCIL MEETING -----

SIGNED BY THE HONORABLE SPEAKER -----





A: ADVERTISEMENTS

A1: DIE PLATTELANDER

A2: DIE NAMAKWALANDER

B: DEBT COLLECTION POLICY

C: LETTER OF COMPLIANCE

D: ACTIVITY REPORT FOR MSIG & FMG

E: CONDITIONS OF GRANTS

F: INDIGENT POLICY

G: RATIO ANALYSIS ON AFS – 2012-13

H: AUDIT COMMITTEE REPORT ON AFS 2012/13

I: INVITATION TO BRIEFING & QUESTIONS & PROGRAMME

J: QUESTIONNAIRE: ANNUAL REPORT & AUDITOR – GENERAL QUERIES

3K: COUNCIL RESOLUTION